

STATE OF INDIANA )  
 ) SS:  
COUNTY OF ELKHART )

IN THE ELKHART CIRCUIT COURT

CAUSE NO. 20C01 0110 CPS73

STATE OF INDIANA, )

Plaintiff, )

v. )

MIKE BEARD and )  
HOWARD LYONS, )

Defendants. )

FILED

OCT 22 2001

CLERK ELKHART CIRCUIT COURT

**COMPLAINT FOR INJUNCTION,  
RESTITUTION, COSTS, AND CIVIL PENALTIES**

The State of Indiana, by Attorney General Steve Carter and Deputy Attorney General David A. Paetzmann, petitions the Court pursuant to the Indiana Deceptive Consumer Sales Act, Indiana Code § 24-5-0.5-1 *et seq.*, for injunctive relief, restitution, civil penalties, investigative costs, and other relief.

**PARTIES**

1. Plaintiff, State of Indiana, is an enforcing authority of Ind. Code § 24-5-0.5-1 *et seq.*, and is authorized to bring this action and seek injunctive relief, consumer restitution, and other relief.

2. Defendant Mike Beard ("Beard") resides at 16454 County Road 14, Goshen, Indiana, and was a resident of Elkhart County at all times relevant to Plaintiff's complaint.

3. Defendant Howard Lyons ("Lyons") resides at 51400 County Road 29, Bristol, Indiana, and was a resident of Elkhart County at all times relevant to Plaintiff's complaint.

## BACKGROUND

4. During the months of October and November of 1999, a number of people residing in Northern Indiana became involved in a money-making venture referred to alternatively as " ' Blessings' Gift List," "Gifting Activities," or "Gifting and Receiving Activities" (hereinafter "Blessings").

5. Blessings was a program organized as a pyramid-shaped grid consisting of four levels containing a total of fifteen positions. The fourth, or bottom level of the grid contained eight positions, referred to as "freshmen," the third level contained four positions, referred to as "sophomores," the second level contained two positions, referred to as "juniors," and the top level, or apex of the pyramid, consisted of one position, referred to as the "senior."

6. Any person wishing to enter Blessings was required to pay the senior the amount of two thousand dollars (\$2,000.00) in order to secure a position on the bottom level of the grid, which allowed the person joining to recruit other persons to join Blessings.

7. When a senior obtained a \$2,000.00 payment from eight people securing all eight positions at the bottom level of the grid, the senior was removed from the grid, which then split into two grids with the junior of each grid advancing to the senior position at the apex of their respective grid. Those positioned on the third and fourth levels also advanced to the second and third levels, respectively, creating eight new positions at the bottom level of each grid. A true and correct copy of a chart distributed to some of the participants in Blessings showing the movement of participants through the grid is attached and incorporated by reference as Exhibit "A."

8. As part of the Blessings promotion, literature was distributed stating that Blessings was legal and that the money participants received through participation was tax free.

9. In truth and in fact, Blessings was an illegal pyramid scheme and the payments participants received were not tax free.

ALLEGATIONS AS TO BEARD AND LYONS

10. In the fall of 1999, Beard and Lyons began participating in Blessings and encouraged persons to join their respective grids to enable them to advance to the senior level. When Beard and Lyons attained the level of senior on their grids, they continued to promote Blessings directly and indirectly by encouraging those persons at the junior and sophomore level to sign up new participants.

11. During October 1999, Beard encouraged Lyons to pay Beard \$2,000.00 in order to join Beard's grid and secure the ability to recruit new members, with the ultimate goal of advancing through the levels of the pyramid and receiving a \$16,000.00 payment.

12. On or about October 21, 1999, Lyons encouraged Steve Collins of Bristol, Indiana, to pay \$2,000.00 in order to join Beard's grid, with the ultimate goal of advancing through the levels of the pyramid and receiving a \$16,000.00 payment. In response to Lyons' encouragement, Collins paid Lyons \$2,000.00 to join Beard's grid.

13. On or about October 23, 1999, Lyons encouraged Sam Troyer of Bristol, Indiana, to pay \$2,000.00 in order to join Beard's grid, with the ultimate goal of advancing through the levels of the pyramid and receiving a \$16,000.00 payment. In response to Lyons' encouragement, Troyer paid Lyons \$2,000.00 to join Beard's grid.

14. On or about October 21, 2001, Jim Balser of Goshen, Indiana, directly or through a third party, encouraged Charles Thrasher of Edwardsburg, Michigan, and Jim Pahl of Goshen, Indiana, to pay \$2,000.00 in order to join Beard's grid, with the ultimate goal of advancing

through the levels of the pyramid and receiving a \$16,000.00 payment. In response to Balser's encouragement, Thrasher and Pahl paid Balser \$2,000.00 each to join Beard's grid.

15. Upon information and belief, Lyons subsequently delivered the funds paid by Steve Collins and Sam Troyer to Beard, and Collins and Troyer were placed in Beard's grid.

16. Upon information and belief, Balser subsequently delivered the funds paid by Charles Thrasher and Jim Pahl to Beard, and Thrasher and Pahl were placed in Beard's grid.

17. Beard's acceptance of the payments from Steve Collins, Sam Troyer, Charles Thrasher, and Jim Pahl was done with full knowledge of all facts connected with the transaction, thereby ratifying the acts of Howard Lyons and James Balser, as well as any other third parties who acted as intermediaries in bringing Steve Collins, Sam Troyer, Charles Thrasher, and Jim Pahl into Beard's grid.

18. Beard and Lyons' efforts to promote Blessings were with knowledge of the scheme's illegality.

#### ALLEGATIONS AS TO HOWARD LYONS ONLY

19. On or about November 2, 1999, Lyons, through third parties, encouraged Judith Jessup of Goshen, Indiana, to pay Lyons \$2,000.00 in order to join Lyons' grid and secure the ability to recruit new members, with the ultimate goal of advancing through the levels of the pyramid and receiving a \$16,000.00 payment.

20. In response to that encouragement, Judith Jessup delivered \$2,000.00 to a third party and obtained a position in Lyons' grid. Upon information and belief, Jessup's payment was ultimately delivered to Beard, who retained the payment to satisfy a debt Lyons owed to Beard.

21. Lyons' acceptance of the benefit he received from Jessup's payment was done with full knowledge of all facts connected with the transaction, thereby ratifying the acts of the third parties who acted as intermediaries in bringing Judith Jessup into Lyons' grid.

22. As part of his promotion of Blessings, Lyons represented, either in person or through third parties, to Judith Jessup and the McCrearys, that Blessings was legal and that money participants received through Blessings was tax free, when Defendant knew or should have known such representations were false.

23. In October 1999, Lyons went to the home of Vernon and Barbara McCreary of Middlebury, Indiana, and encouraged the McCrearys to pay \$2,000.00 in order to join Lyons' grid and secure the ability to recruit new members, with the ultimate goal of advancing through the levels of the pyramid and receiving a \$16,000.00 payment.

24. In response to Lyons' encouragement, on November 6, 1999, the McCrearys paid Lyons \$2,000.00 and obtained a position in Lyons' grid.

25. Lyons' direct and indirect efforts to promote Blessings were with knowledge of the scheme's illegality.

#### VIOLATIONS OF THE DECEPTIVE CONSUMER SALES ACT

26. "Blessings" is a pyramid promotional scheme as defined by Ind. Code §24-5-0.5-2(8).

27. Beard and Lyons are "suppliers" as defined by Ind. Code §24-5-0.5-3(B).

28. Beard and Lyons' actions in promoting Blessings as set forth above constitute violations of Ind. Code §24-5-0.5-10(3).

29. The deceptive acts set forth above will continue and will cause irreparable injury unless Defendants are enjoined from engaging in further conduct that violates Ind. Code §24-5-

0.5-1 *et seq.*

RELIEF

WHEREFORE, Plaintiff, State of Indiana, requests the Court enter judgment against the Defendants, Mike Beard and Howard Lyons, and order the following relief:

- a. A permanent injunction pursuant to Ind. Code §24-5-0.5-4(c)(1) enjoining Defendants from promoting a pyramid promotional scheme in the future;
- b. Restitution pursuant to Ind. Code §24-5-0.5-4(c)(2) in an amount to be determined at trial;
- c. Costs pursuant to Ind. Code §24-5-0.5-4(c)(3), awarding the Office of the Attorney General its reasonable expenses incurred in the investigation and prosecution of this action;
- d. Civil penalties pursuant to Ind. Code §24-5-0.5-4(g) for Beard and Lyons' knowing violations of the Deceptive Consumer Sales Act, in the amount of five hundred dollars (\$500.00) per violation, payable to the State of Indiana; and
- e. All other just and proper relief.

Respectfully submitted,

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Attorney no. 4150-64

By: 

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Deputy Attorney General  
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# "Blessings" Flow-Chart

## Freshman

1	2	3	4	5	6	7	8
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## Sophomore

1	2	3	4
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## Junior

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## Junior

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## Senior

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